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**GRAND JURY**

County of Alameda

January 19, 1988

Honorable Edward R. Campbell
Chairman, Board of Supervisors
Administration Building
Oakland, CA

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Dear Chairman Campbell and Board Members:

TRANSPORTATION COMMITTEE

**Interim Report
on
Alameda-Contra Costa Transit District**

INTRODUCTION

Charges of mismanagement and improprieties in the operations of the AC Transit District were made to the District Attorney, and subsequently to the Alameda County Grand Jury. An ad hoc committee was formed to investigate the charges. This committee determined that the Transit District has serious problems. The Grand Jury concurred and a Transportation Committee was appointed to proceed with a full scale investigation.

From the beginning of the investigation, the Transportation Committee (hereafter, "the Committee") operated on the premise that: 1) the role and responsibility of the AC Transit District Board of Directors (hereafter, "the Board") is to make policy and monitor the execution of that policy; 2) a good indication of the leadership qualities of that Board is shown in its ability to separate the policy function from that of administration; 3) the Board is ultimately responsible for every aspect of the District's operation.

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During the period from August 4, 1987 through December 3, 1987, the Committee interviewed thirty-five individuals including the seven members of the Board. During the first phase of the investigation, the Committee reviewed volumes of documents including policies and procedures, audit reports, budgets, management studies and surveys. In addition, the Committee reviewed the business and travel expense claims submitted by the Board and the executive staff which, along with other documents, have been forwarded to the District Attorney for further review and investigation. The Committee members attended AC Transit Board meetings and received calls from individuals who wanted to provide additional information regarding the original allegations. Some wanted to remain anonymous for fear of reprisal. This prompted the Committee to warn the Board against coaching prospective employee witnesses or inquiring as to subjects discussed and the answers given.

As the interviews progressed, it became obvious that many of the allegations contained in the original complaint were valid. The Committee found that for several years there has been an erosion of Board procedures. This has resulted in poor management which is undermining the District demonstrated by:

- the District's negative financial position
- the terminations and resignations of key management personnel
- the deterioration of service to the community

It is the intent of the Committee that this interim report be followed by one or more public reports.

FINDINGS

I. Rules for Procedures - Board of Directors

The Transit District operates as a corporate body legislatively created pursuant to the Transit District Law (Division 10, Public Utilities Code, State of California) by the electorate on November 6, 1956 and certified to the Secretary of State on December 14, 1956.

The Board of Directors adopted the Rules for Procedures for the AC Transit District on March 23, 1982. They are now outdated and in some instances ignored or violated. Examples:

- conflict of interest
- adherence to the Brown Act
- role of the General Manager, District Secretary and the Attorney for the District

II. The Board and the District's Goals and Objectives

The Goals and Objectives for the District which were reported to be encompassed in the District's Five Year Plan, March 1986, have not been developed into a workable program for day to day operation. As a result, the daily operations are managed on a crisis to crisis basis.

III. Executives Appointed by the Board

The three appointed executives of the District, the General Manager, the District Secretary and the Attorney for the District, have no contract or agreement as to the limits of their responsibility and authority. Such a situation is not conducive to employee accountability, job security or commitment to the long range planning and progress needed in the District.

IV. The Board's Abrogation of Authority

- A. The Attorney for the District assumes the sole power to select outside attorneys and approves payment in amounts over the limit that requires Board approval.
- B. The Risk Management Department in many instances acts without Board approval or within the guidelines regarding procedures and budget allocation.
- C. The District Secretary is permitted to act independently of the Board in policy and administrative areas. Examples:
 - approving for payment, all Board members' personal expense accounts
 - overlapping staff responsibility as the Secretary for the Board, and the Secretary for the District, with authority as the Assistant to the General Manager
 - coercing staff to do special favors for Board members by using "implied" threats regarding their employment status
 - excessive expenditures for luncheons and dinners while conducting "Board business" and "staff meetings"

V. Policy and Administration of the Board

The primary objection voiced by those interviewed to date, including individual Board members, has been the same. The Board of Directors continually interfere in the day to day operations of the District and will not allow designated staff the latitude to operate in an effective and efficient manner. The Board of Director's Policy for Procedures manual specifically outlines the "policy" role of the Board in managing the District, but it is completely ignored.

One description of administration was compared to a General Manager "having seven rings in his nose and being pulled in seven different directions." Examples of Board interference:

- selection, hiring and firing personnel
- removing favored employees from the lay-off list during the implementation of the Budget Deficit Reduction Plan
- individually using their influence in the selection of personnel for contractual work with the district
- nepotism, cronyism and favoritism

VI. The Board and Conflict of Interest

- A. Involvement in letting of contracts and questionable bidding practices.
- B. Changing of specifications during the recruitment and selection of personnel.
- C. Board members in contractual arrangement with agencies doing business with the District.
- D. Board member who is an employee of an agency that allocates funds to the AC Transit District.

VII. Campaigning and Lobbying Activities of Board Members

- A. Board members utilized executives and management personnel on District time to campaign for ballot initiatives and Board elections.
- B. Extravagant expenditures of public funds for entertainment of Federal and State legislators.
- C. District loan of public funds for Board member campaign expenditures.
- D. Excessive expenditure of public funds for outside lobbyist and legislative consultants, over and above a budgeted staff position. The District also has memberships in regional, state, and national transit organizations that have a lobbying function.

VIII. The Board and Protection of District Assets

There is a lack of caution and protection of the District's assets. The Board has failed to see that reasonable financial controls were established, such as:

- A. No inside auditor on staff to maintain financial accountability and adherence to financial goals and objectives.
- B. Excessive use of consultants resulting in the expenditure of millions of dollars. Approximately ninety consultant contracts have been let in the past eight years, without complete documentation as to the total cost, status, or implementation of the consultant's recommendations.
- C. Consultant contracts for persons with skills that are currently included in paid staff positions.
- D. Questionable business and travel expenditures including items for personal use which have gone unchallenged.
- E. Exorbitant luncheon and dinner expenditures for Board and staff meetings.
- F. Numerous meetings at \$100 each.
- G. The Board's acquiescence to improper expenditures of individual Board members who violate the trust and confidence of the electorate.

1	Abstract. This paper presents a new method for estimating the parameters of a multivariate normal distribution. The method is based on the use of a new loss function, which is a combination of the squared error loss and the absolute error loss. The method is shown to be efficient and robust, and is applied to a simulation study and to a real data set.
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IX. Board of Director's Personal Aggrandizement

- A. Demanding and receiving "chauffeur" services for themselves and/or family members.
- B. Road Supervisors and Managers pulled from their responsibilities to provide personal services to Board members.
- C. Furthering their own private business and personal interests by using District secretaries, technicians and facilities at public cost.
- D. Personal loans of public funds to Board members and families.
- E. In 1986, Board members voted themselves a lifetime annuity which is vested in five years. The initial funding was an unbudgeted amount reported to be over \$130,000. Information was not obtainable as to any subsequent allocations. Benefits for the Board includes life, medical and dental insurance. Benefits for the employees are less and they have to work ten years to be vested. A Board member who retired before the annuity was established was "grandfathered" into the plan.

The Grand Jury supports action to revoke AC Transit Board Members Annuity Pension Plan. The Board resolution should be reversed in order to eliminate existing and future entitlements.

X. Inadequate Monitoring by the Board of Directors

In recent years there have been a number of outside audit findings by private, regional, state and federal government agencies pointing to problems in the District. In most cases the Board has been slow or has failed to act on these findings.

XI. The Board and Employee Relations

There have been, and still are, charges related to alcohol and drug abuse, sexual harassment, inadequate procedures for appeals, and poorly handled grievances for union and management employees. These charges have been brought to the attention of the Board and management but only minimal action in setting policy to correct them has resulted.

XII. The Board and Non Compliance

The Board has been lax in monitoring the District's compliance with regulatory laws which include those of city, county, state and federal government in the areas of safety, fire, affirmative action, and handicap accessibility.

XIII. The Board and Selection of Managers

The District has been hiring executives and managers to serve as professionals in positions for which they are marginally qualified. This has resulted in innumerable administrative problems in which some managers have failed to demonstrate professional preparation or experience.

CONCLUSIONS

In the past five years, the position of General Manager has been filled by the Board of Directors four times and each time the General Manager has had to cope with Board interference in administrative authority and responsibility. The most recent contract with an interim General Manager and a management firm continues the perpetuated practice of contracting with others to address perceived administrative deficiencies when the origins of the District's problems emanate from inappropriate Board actions.

The Board of Directors has shown itself to be unwilling or incapable of correcting its own deficiencies. Even those who are least directly involved in questionable behavior have, by their acquiescence, tacitly contributed to the critical state in which the District finds itself today. The Board has not met the standards of business judgement, reasonable care, and fiduciary relationship.

Employee morale borders on despair. The District has hundreds of loyal employees who are willing to risk possible retribution for providing information aimed at improving District operations. Employee transition from pride to shame is particularly devastating yet they continue to work, daily carrying out their responsibilities in spite of the void in leadership they have to face. Most employees of the AC Transit District are not getting the kind of support they deserve.

RECOMMENDATIONS

In an effort to restore the reputation of the AC Transit District to the level once enjoyed, and to provide an effective and viable public transportation system, it is recommended that:

- A. The seven Directors of the AC Transit District immediately resign their position on the Board.
- B. The State Legislature immediately pass legislation giving a trustee power to operate AC Transit District.
- C. Should the current Directors fail to resign from the Board, the State Legislature immediately pass legislation authorizing the appointment of a trustee to operate AC Transit District for a period of four years and that a full new Board of Directors be elected for staggered terms in the next general election.

Very truly yours,

Gilda H. Feller
Foreman
Alameda County Grand Jury

Electra K. Price
Chairman, Transportation Committee

Transportation Committee:
Ronda M. Crook
Harry C. Heyen
John A. Parry
Robert S. Ross
Jonathan L. Staggers, Sr.



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the first time in the history of the United States that a woman has been elected to the office of Governor. This is a historic achievement for women in politics and a testament to the progress of the women's movement. The election of a woman to the highest office in the state is a significant milestone in the history of the United States.

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THE WOMEN'S MOVEMENT

The women's movement is a social movement that seeks to achieve equal rights for women. It is a movement that has been active in the United States since the late 19th century. The women's movement has achieved many significant victories, including the passage of the Equal Rights Amendment and the passage of the Voting Rights Act.

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